Secretary Sylvia Matthews Burwell
Department of Health and Human Services
330 Independence Avenue SW
Washington, DC 20201

Dear Secretary Burwell,

On behalf of the nearly 30 million Americans with diabetes and the 86 million more with prediabetes, the American Diabetes Association (Association) appreciates the opportunity to submit comments on Arizona's "Modernizing Arizona Medicaid" Section 1115 Demonstration Waiver Application.

Adults with diabetes are disproportionately covered by Medicaid.[1] For low income individuals, access to Medicaid coverage is essential to managing their health. As a result of inconsistent access to Medicaid across the nation, these low income populations experience great disparities in access to care and health status, which is reflected in geographic, racial and ethnic differences in morbidity and mortality from preventable and treatable conditions. For example, a study conducted in California found "amputation rates varied tenfold between the highest- and lowest-income neighborhoods in the state."[2] Medicaid expansion made available through the Affordable Care Act offers promise of significantly reducing these disparities.

Arizona is the first state to request a waiver to alter implementation of its Medicaid expansion after initially expanding through a state plan amendment. Arizona's uninsured rate has dropped from 20.4 percent to 14.5 percent since 2014,[3] and these gains are due in large part to the state's decision to expand Medicaid. While we strongly support Arizona's decision to accept federal Medicaid funding to extend eligibility for the program, we have concerns regarding some of the provisions in the proposed Section 1115 Waiver, and provide the following comments to help ensure the needs of low-income individuals with diabetes continue to be met by the state's Medicaid program.

Premium Requirements May Deter Enrollment

The Association is concerned with the premium and cost-sharing requirements proposed in Arizona's Section 1115 Waiver. In December 2014, the Association expressed concern with Arizona's Section 1115 Waiver Amendment proposal to require non-disabled adults earning between 100% and 133% federal poverty level (FPL) to pay monthly premiums of not more than two percent of household income. The state later withdrew its request to charge premiums, but is now requesting to charge beneficiaries in the new adult eligibility group premiums and co-payments.

A robust body of research already shows that charging premiums and co-pays to people living in poverty makes it less likely they will enroll in coverage and obtain needed care.[4] For example, according to a study conducted by staff at the Agency for Healthcare Research and Quality (AHRQ), a premium increase of $10 per month is associated with a decrease in public coverage of children in families with incomes above 150% of the FPL, with a greater decrease in coverage for those below 150% FPL.[5]

The Association is concerned any proposed monthly contribution amounts may deter individuals from obtaining Medicaid coverage, negating the benefits of extending eligibility to the new adult group. Arizona is proposing to require beneficiaries in the new adult eligibility group—even those below the poverty level—to pay monthly premiums of 2% of annual household income, or $25, whichever is less. Under this proposal, a beneficiary earning 90% FPL would be required to pay a premium of 2% of his income each month, which is approximately $17.65. Based on the results of the AHRQ study previously mentioned, premiums of this amount are likely to deter enrollment in the state's Medicaid program.

According to Kaiser Family Foundation, as a result of Arizona's decision to extend eligibility for its Medicaid program to the new adult eligibility group, about 30% of the state's uninsured adults are now eligible for Medicaid.[6] It would be a great disservice to Arizona residents if these proposed changes undo the excellent work the state has done to ensure every resident of Arizona has access to adequate, affordable health care. The Association wants this momentum to continue, but also wants to ensure all Medicaid beneficiaries in Arizona—including those in the new adult eligibility group—are able to enroll in and maintain coverage under the program. **Therefore, we recommend the Centers for Medicare and Medicaid Services (CMS) ensure the premium payment amounts Arizona is proposing will not deter enrollment in the state's Medicaid program.**

Cost-Sharing Requirements May Deter Use of Medically Necessary Services

In addition to proposing monthly premium amounts which could deter enrollment in the Medicaid program, Arizona is also proposing to continue to charge beneficiaries co-payments for benefits received under the program. The Association is concerned the state's proposal to charge beneficiaries in the new adult group monthly premiums as well as cost-sharing will be detrimental to enrollees diagnosed with diabetes. Diabetes is a complex, chronic illness requiring continuous medical care with multifactorial risk reduction strategies beyond glycemic control. Ongoing patient self-management education and support are critical to preventing acute complications and reducing the risk of long-term complications. The Association, including its scientific and medical experts, believes essential benefits for the management, prevention, and care of diabetes include:

- Diabetes screening for individuals at high risk;
- Physician services;
- Prescription medications;
- Durable medical equipment, such as blood glucose testing equipment and supplies, and insulin pumps and associated supplies;
- A yearly dilated eye exam by an eye-care professional with appropriate follow-up care as medically needed;
- Podiatric services;
- Diabetes education, including diabetes outpatient self-management training services; and
- Medical nutrition therapy services.

When people are not able to afford the tools and services necessary to manage their diabetes, they scale back or forego the care they need, potentially leading to costly complications and even death. For example, studies show intensive diabetes management can delay the onset and progression of diabetic nephropathy, which is the leading cause of end stage renal disease.[7] Requiring burdensome cost-sharing for Medicaid beneficiaries not only deters utilization of medically necessary services, it could also result in increased costs for state and federal healthcare programs in the long-term.

While we are pleased Arizona is proposing to exempt certain services from the co-payment requirements, there is little clarity in the state's waiver application regarding which services and supplies are exempt. For example, the state's waiver "narrative" document notes there will not be copayments for "wellness" or "services to manage chronic illness," but does not define which services or supplies may fall under those two categories. **Therefore, the Association strongly urges CMS to carefully consider which services, supplies and medications are exempt from the cost-sharing requirements to ensure there are not financial barriers for Arizona Medicaid beneficiaries with diabetes to be able to effectively manage their health.**

<u>"Health Targets" Incentives</u>

Under the proposed waiver program, the monthly premium amounts beneficiaries pay will be deposited into an AHCCCS CARE Account. In addition, Arizona Medicaid will develop a set of targets to promote wellness and for managing chronic diseases, such as diabetes, substance use disorder or asthma. Medicaid beneficiaries who meet one "health target," pay their required monthly premiums and participate in the state employment program will be able to use the monthly premium dollars deposited into their AHCCCS CARE Account to pay for certain services not covered by the state Medicaid program, such as dental and vision services, weight loss programs, gym memberships and nutritional counseling. In addition, beneficiaries who meet a health target have the option to either reduce their required monthly payments, or have unused funds in their AHCCCS CARE accounts rolled over into the next benefit year. Unfortunately, the Arizona waiver application and accompanying "narrative" document provides sparse details of what the health targets will include, but does note targets to promote wellness may include flu shots and "glucose screenings."

The Association generally supports voluntary wellness programs that encourage individuals to adopt healthy lifestyles and provide support for doing so. Through our Stop Diabetes @ Work healthy worksite initiative, and most recently our Wellness Lives Here recognition program, we provide resources for employers and employees to learn about and take steps to improve their health. However, we have grave concerns about wellness programs that use premium (or other health care cost) rewards and penalties tied to achievement of a health status or outcome, both generally and specifically because of the potential for such incentives to be used as a proxy for discrimination on the basis of disability. Diabetes is defined by high blood glucose levels. Therefore any financial reward or penalty tied to a blood glucose level is direct discrimination based on diabetes and must be prohibited. **The Association urges CMS to very carefully consider all "health targets" proposed by Arizona Medicaid to ensure they do not base financial rewards or penalties on outcomes standards that are coextensive with or**

directly related to diabetes, and they do not disadvantage individuals who need regular medical care to treat and manage their diabetes.

The American Indian Medical Home Proposal

The poor are disproportionately impacted by diabetes, as are ethnic and racial minorities. While 7.6 percent of non-Hispanic white adults have been diagnosed with diabetes, the statistics are much higher for minority populations: 15.9 percent of American Indians and Alaska Natives, 13.2 percent of African Americans, 9.0 percent of Asian Americans and Pacific Islanders, and 12.8 percent of Hispanics/Latinos have diagnosed diabetes.[8] Perhaps even more troubling, ethnic and racial minorities are also more likely to have difficulty accessing the tools to manage their diabetes, and are more likely to suffer diabetes-related complications and death.

In Arizona, American Indians suffer from significant health disparities. According to the Arizona Department of Health Services, American Indian residents of Arizona ranked worse than the statewide average on 49 of 69 health indicators and have a shorter life expectancy than other racial/ethnic groups.[9] The mortality rate for American Indians with diabetes in Arizona is almost three times the average for all racial/ethnic groups.[10]

Reducing the disparate impact of diabetes in minority communities is a key priority for the Association. Therefore we are pleased Arizona is proposing to exempt individuals in the American Indian and Alaska Native populations from the AHCCCS CARE program. **In addition, the Association strongly supports Arizona's delivery system reform proposal to support a medical home model for American Indian and Alaska Native enrollees in the fee-for-service Medicaid program.** In addition, we support inclusion of an evidence-based diabetes education curriculum as part of the American Indian Medical Home proposal.

A major barrier to optimal diabetes care is a delivery system that is fragmented, lacks clinical information capabilities, duplicates services, and is poorly designed for the coordination of chronic care. Patient-centered medical home initiatives have been shown to provide high-quality care for people with diabetes.[11] Incorporating a medical home model for fee-for-service beneficiaries who receive services through the Indian Health Service infrastructure in Arizona is a great way to help coordinate care for Medicaid beneficiaries obtaining care at these facilities. Should this program be successful in Arizona, it could be used as a model for other states to follow.

Transparency

As discussed in the July 2015 Waiver Task Force letter, we are concerned important information on finalized Section 1115 Waiver programs has not been made publically available. This Arizona Medicaid Section 1115 Waiver application is lacking important details, particularly related to cost-sharing requirements and proposed health targets. **Should CMS approve Arizona's Section 1115 Waiver application, the Association strongly encourages CMS to make publically available all finalized Arizona Medicaid Section 1115 Waiver program details such as operational protocols, quarterly and annual reports, and other significant deliverables required in special terms and conditions.** This important

information allows interested parties to effectively monitor demonstration projects and to see their progress.

Conclusion

Since 2014, Arizona has made great strides in reducing the number of uninsured individuals in the state. We do not want to see changes to the Medicaid program which could negate that excellent work. The Association is concerned the proposed cost-sharing and monthly premium requirements will deter enrollment in the Medicaid program and keep individuals from obtaining necessary care. The price sensitivity of households with low incomes *must* be a consideration when imposing premium or co-payment requirements for any public health program. In addition, any health program incentives Arizona implements should not disadvantage individuals who need regular medical care to treat and manage their diabetes. The Association strongly urges CMS to make publically available information on the finalized Arizona waiver program details, including which services are exempt from cost-sharing and what health targets beneficiaries must meet.

Finally, the Association has great hope that Arizona's proposal to implement a medical home program for American Indian and Alaska Native beneficiaries in the fee-for-service program will help address the significant health disparities suffered by these populations.

We appreciate the opportunity to provide comments on Arizona's proposed section 1115 waiver amendment. If you have any questions, please contact me at lmciver@diabetes.org or (703) 299-5528.

Sincerely,

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Vice President, Public Policy & Strategic Alliances
Government Affairs & Advocacy
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